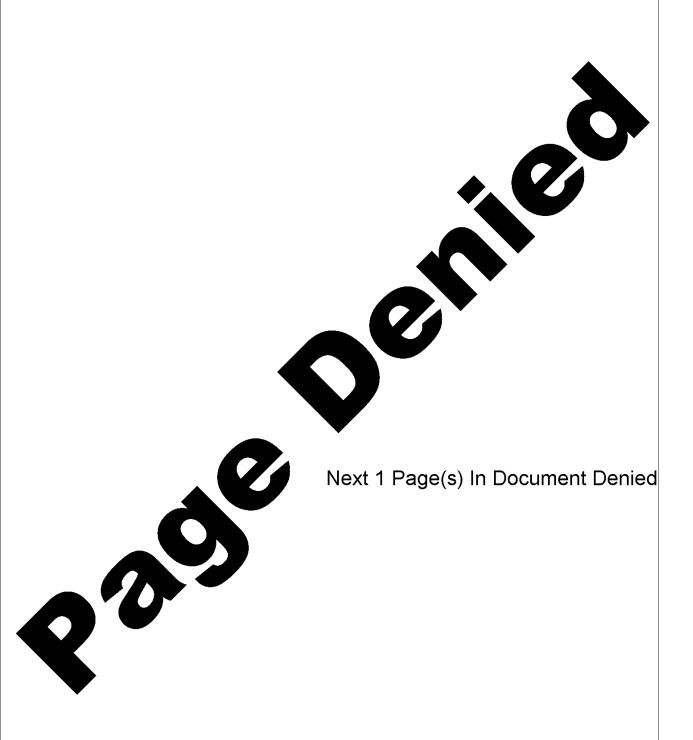
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APirw Ø896 -Security Clearances

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WASHINGTON (AP) Despite a spate of spying that has severely damaged U.S. intelligence, the government still grants many security clearances without checking applicants' financial or employment backgrounds, according to a congressional report released Wednesday.

Numerous recommendations to make employment and credit checks routine parts of the security clearance process appear to have been ignored, the House Intelligence Committee concluded, adding: 'The committee finds this failure to act inexcusable.'

The panel's report found a pattern of bureaucratic sluggishness throughout the intelligence community in addressing security problems and it criticized a preoccupation with hardware and gadgetry that ignores fundamental personnel problems.

It also found that little has been done to control the proliferation of classified information and concluded that top CIA personnel were the sources of many revelations in Washington Post reporter Bob Woodward's book ''Veil'' about covert operations by the CIA.

The government's basic security review, known as the National Agency Check, involves reviewing FBI fingerprint files and dossiers at other federal agencies. It does not include credit and employment checks, and costs just \$10 to complete.

''We ... spend thousands for physical security measures in some programs (to protect) secret material, but for the people part of it, we are only willing to spend \$10,'' Thomas J. O'Brien, then-director of the Defense Investigative Service, said in testimony before the panel last spring. ''All of our losses have come from people.''

The Intelligence panel voted unanimously to release the report, overriding objections from the Central Intelligence Agency.

The Pentagon came in for particular criticism in the committee's review, which noted that at least 54 Defense Department personnel have been identified and punished over the past five years for espionage or security breaches. Despite the problems, the department does not appear to be vigorously looking for new solutions, the report said.

While the Pentagon claims to have reduced its security-cleared personnel from 4.2 million to 2.8 million over the past three years, the figures cannot be verified, the panel said.

And with that many cleared personnel in addition to 1.1 million clearances for defense contractors, the secretary of defense has only six professional staff members overseeing department security programs. 'This is a penny-wise and pound-foolish approach, considering these personnel have access to the nation's most sensitive data,' the report found.

As an example of failures in security screening of personnel, the report cites the case of Glen Michael Souther, a former Navy intelligence specialist.

While in the Navy years ago in Norfolk, Va., Souther's wife voiced suspicions to a Navai officer that her husband might be involved in .

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espionage. He left the Navy, went to Old Dominion University for Russian studies, then re-joined the Navy as a reservist and was granted a top security clearance.

A background investigation did not catch the warning signs, and Souther defected this year to the Soviet Union, taking with him classified technical data on weapons systems.

The panel also sought answers from the CIA about the sources of disclosures in Woodward's book, published last year. The book contains numerous references to intelligence details that were not widely known, and one agency official testified: ''! don't think there is a question...! think it came from within the agency.''

Among the Intelligence Committee's recommendations:

Security reviews should include credit checks to turn up potential financial problems that make employees vulnerable to offers to buy secrets. They also should include interviews with family members and relatives.

Less reliance should be placed on pre-employment background checks, and more effort should be devoted to periodic reviews of personnel once they are on the job, including interviews with co-workers.

The government should be more sensitive to those who are fired from security-cleared jobs or leave with grudges against their employer. Little is now done to ease such departures and follow up on employees after they leave, ignoring a group that is most likely to be a problem.

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